IN THE HIGH COURT OF JUDICATURE, ANDHRA PRADESH
AT HYDERABAD

(Special Original Jurisdiction)

WEDNESDAY, THE TWENTY THIRD DAY OF FEBRUARY
TWO THOUSAND AND FIVE

P R E S E N T

THE HON'BLE MR JUSTICE GODA RAGHURAM

-

WRIT PETITION NO : 3373 of 2004

Between:

Kalla Gowri Shankar, S/o (Late) Appala Swamy,
The Vizianagaram Co-op Urban Bank Ltd. 3-6-3, Avanapu Veedhi,
Vizianagaram, Vizianagaram District. **.....** PETITIONER

AND

1 District Co-Operative Officer, Vizianagaram.
2 The Vizianagaram Co-op.Urban Bank Ltd. rep.by its Secretary, at Vizianagaram.
3 Reserve Bank of India, rep.by its Deputy General Manager,
Urban Banks Department, Hyderabad.
4 Divisional Co-operative Officer-cum-Administrator/ Special Officer,
Vizianagaram.
5 The Reserve Bank of India, rep.by its Executive Director (Urban Banks), Central Office, Garment House,
1st Floor, Mumbai, Maharastra State.
6 Commissioner for Cooperation and Registrar of Cooperative Societies, Andhra Pradesh, Hyderabad. **.....** RESPONDENT(S)

-

-

Petition under Article 226 of the constitution of India praying that in the circumstances stated in the Affidavit filed herein the High Court will be pleased to issue a Writ of Mandamus or any other appropriate Writ declaring that the action of the 1st respondent contained in Rc.No.484/2004-F(Coop) dated 28-01-2004 superseding the elected Board of Directors of the 2nd respondent Bank on the alleged requisition of the 5th respondent dated 20-01-2004, invoking the provisions contained in Section 115-B of the A.P.Co-operative Societies Act, 1964 and without

issuing any notice or opportunity to the elected Directors of the 2nd respondent, is arbitrary, illegal and void and direct the respondents not to interfere with the continuance of the elected Board of Directors of the 2nd respondent Bank except in accordance with law and without putting the Directors on notice of any deficiency with regard to the banking affairs of the 2nd respondent Bank and grant such other relief as it deems fit in the circumstances of the case.

Counsel for the Petitioner: MR.V.VENKATARAMANA

Counsel for the Respondents 1, 4 and 6 : MR.K.SRINIVASAMURTHY

GP for Co-operation.

Counsel for the Respondents 3 and 5 : Mr.M.P. Ugle

Counsel for the Respondent No.2-Bank:

The Court made the following order :-

O R D E R :

Heard Sri Vedula Venkataramana, learned counsel for the petitioner, learned Advocate General representing learned Government Pleader for Co-operation for respondent Nos. 1, 4 and 6 and Sri M.P. Ugle, learned counsel for respondent Nos. 3 and 5. No representation on behalf of respondent No. 2-Bank.

The petitioner was elected as Chairman of the Managing Committee of respondent No. 2-bank in 2002. In the said year, elections were held to the Managing Committee of respondent No.2-bank, at which the petitioner was elected as Chairman and eleven other persons were elected as Directors. The term of office of the elected Management Committee is upto 2007. The petitioner claims to have been elected as Chairman of respondent No.2-bank earlier also for two terms.

In the writ petition, the proceedings of respondent No. 1 dated 28-1-2004 superseding the Managing Committee of respondent No.2-bank and appointing respondent No. 4 as Administrator/Special Officer for a period of one year from the date of assumption of charge by him to manage the affairs of respondent No.2-bank, in purported exercise of the powers under Section 115-B (iii) of the A.P. Co-operative Societies Act, 1964 {for brevity 'the Co-operative Societies Act'}, is assailed principally on the ground that the order has been passed in transgression of the principles of natural justice, and no notice was issued or opportunity afforded either to the petitioner or the other elected Directors of respondent No.2-bank before superseding the Managing Committee. The grievance of the petitioner is that during the currency of the elected term of the office of the members of the Managing Committee of respondent No.2-bank, the tenure has been determined, and superseding the Managing Committee, before expiry of its term, without notice or opportunity to the affected directors, is illegal and arbitrary.

This court by an interim order dated 25-2-2004 while granting interim suspension of the order impugned, restrained the petitioner and other members of the Managing Committee of respondent No. 2-bank not to sanction and disburse any fresh loans

while permitting them to carry on the day-to-day affairs of the bank.

A counter-affidavit has been filed by respondent No. 1 asserting that notwithstanding the instructions by the authorities under the A.P. Co-operative Societies Act, 1964 as well as respondent No.3-the Reserve Bank of India, the managerial quality and integrity of the Managing Committee, continued to be substandard, it had continued its journey into regression and financial indiscipline, and as such, the Reserve Bank of India directed the supersession of the management of the respondent No.2-bank and therefore the impugned order was issued in public interest.

The Deputy General Manager of the Hyderabad Branch of the respondent No. 3-Reserve Bank of India, has filed an affidavit in opposition to the writ petition. The contentions of respondent No.3, to the extent relevant, for the purpose of this writ petition, are as under, in brief:

a. On an analysis of the provisions of the Banking Regulation Act, 1949 as amended by Act 23 of 1965 and subsequent amendments; chapter XXXIII-A of the A.P. Co-operative Societies Act, 1964 in particular Section 115-B and the provisions of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (Central Act 47 of 1961), the respondent No. 3 is consecrated the power, authority and jurisdiction to monitor, inspect, advise and regulate the functioning of banking companies including Co-operative Banks, to the extent statutorily ordained in the above statutory instruments.

b. Consistent with the concomitant obligations of the statutory power, the third respondent had been periodically inspecting and scrutinizing the affairs of respondent No.2-bank. It had also conducted statutory inspection of the books of account of the bank during 27th August 2003 and 6th September 2003 with reference to its financial position as on 30-6-2003. The inspection revealed gross and blatant violations

of several provisions of the Banking Regulation Act 1949. The principal findings of the statutory inspection as asserted by third respondent in its counter-affidavit are to set out in para 7 of the counter-affidavit. As the report of the statutory inspection reveals the critical status of respondent No.2-bank and chronicles the gross managerial delinquency. The findings of the statutory inspection as set out in para 7 of respondent No.3's counter-affidavit relevant and material and read as under :

"**(a) Capital Adequacy**

i) *The net erosion to the net own funds of the bank was assessed at 68.3% as on March 31, 2003.*

ii) The Capital to Risk Assets Ratio (CRAR) of the bank, as on March 31, 2003, was reported by it at 8.4% and assessed by the 10 at 2.6%. As such, the bank did not have the minimum regulatory capital requirements of 7.0% CRAR.

iii) The bank was not transferring dividend unclaimed for more than three years to its Reserve Fund.

(b) Asset Quality

i) The bank's inter-bank deposits in the Vasavi Co-operative Urban Bank Ltd, with outstanding of Rs.305.01 lakh in principal and Rs.233.74 lakh in interest, had turned out to be a problem exposure. This would have considerable impact on the solvency position of the bank in the coming years.

ii) The bank did not adhere to the Reserve Bank's instructions to invest in Government Securities to the extent of 15.0% of its DTL as on the date of inspection.

iii) The bank did not have an investment policy and it did not follow the extant instructions of Reserve Bank on accounting, valuation and provisioning for investments.

iv) The reported gross and net NPAs of the bank were at 14.5% and 8.8% respectively, while the assessed gross and net NPAs were at 14.6% and 8.9% respectively.

(c) Management

i) *The Directors of the bank were directly interfering in the credit dispensation function of the bank b way of recommending loan proposals and conducting the valuation of properties made available as securities by the borrowers. Besides, the Directors were collecting the valuation fees from the borrowers through the bank.*

ii) The Board did not review the funds management policies of the bank periodically and did not ensure optimum returns from the bank's large surplus funds.

ii) The CEO could not ensure professionalism amongst the staff and did not improve the state of housekeeping in the bank.

(d) <u>Earnings</u>

(i) *As the bank did not de-reckon the interest on the inter-bank deposit with Vasavi Co-operative Urban Bank Ltd, to the extent of Rs.70.21 lakh, recognized as income on accrual basis during the period 1999-2001, the bank was assessed to have incurred losses for the last three years. Further, the accumulated loss as on the date of inspection was assessed at Rs.74.69 lakh.*

(ii) The large amount of establishment expenditure, injudicious funds management and the opportunity costs of idle funds, avoidable expenditures like car maintenance, cell phone and TA & DA to Directors etc were the main factors responsible for the low profitability of the bank.

(e) <u>Liquidity and funds management</u>

i) *Although, the bank's liquidity position was comfortable, it was denying the facility of pre-mature encashment of term deposits to the deposit holders, on the plea that it was doing so at the behest of Reserve Bank.*

ii) The bank was not prompt in responding to the market trends associated with a low interest rate regime, especially in the case of fixing interest rates on its deposits.

(f) <u>Systems</u>

(i) *Many of the books and accounts, including inter branch accounts, were not balanced/reconciled for the last many years. There were arrears in the preparation of Day Book and General Ledger in the branches and Head Office. There was no system of preparing the Trial Balance of the bank on a daily basis.*

(ii) The bank did not have a system of concurrent audit till March

2003.

(iii) The bank did not take proper steps to computerize its operations and instead outsourced the work related to the preparation; of Day Book to a computer firm, without involvement of any of the bank staff.

(iv) The practice of treating the branches of the bank as independent profit centers, with proper transfer pricing mechanism, was yet to be introduced.

The other pleas of the Reserve Bank of India may also be noticed :

(II) *It is submitted that at the end of the inspection, the inspecting officer of the RBI addressed the board of Directors of the 2nd respondent bank and informed the defects pointed out in the inspection report and the need to rectify the said defects. Further, the RBI, by its letter dated 17 November 2003 forwarded a copy of the inspection report to the 2nd respondent bank with an advice to place it before its board of Directors and submit report of compliance within six weeks from the date of receipt of the said letter and also call on the officials of the RBI within one month from the date of receipt of the letter to discuss on the findings of the inspection. Copy of the letter dated 17 November 2003 is filed herewith and marked as* ***Annexure-II.*** *However, it is submitted that the 2nd respondent bank sought 2 more weeks time to submit its report of compliance, vide its letter dated 23 December 2003. Copy of the said letter is filed herewith and marked as* ***Annexure-III.*** *Again, the 2nd respondent bank, vide its letter dated 5 January 2004 sought further time till 31 January 2004 to submit its report of compliance. Copy of the said letter is filed herewith and marked as* ***Annexure-IV.*** *Further, it is submitted that the board of Directors of the 2nd respondent bank and its officials did not attend the meeting with the officials of the RBI to discuss the findings of the inspection report though they were requested to attend the meeting. The Board of Directors of the 2nd respondent bank are responsible for over all functioning and management of the affairs of the bank. The Board has been vested with the powers of general superintendence over the affairs of the bank. The Board has been vested with the powers of general superintendence over the affairs of the bank. However, the 2nd respondent bank and its Board of Directors have not shown interest in rectifying the defects. Further, the 2nd respondent bank had painted a rosy picture on its financial position and also declared that it had earned a net profit of Rs.18.73 lakh. In fact, the 2nd respondent bank had incurred accumulated loss of Rs.74.69 lakh as on the date of inspection, i.e., 27 August 2003. As such, the board of*

directors of the bank deliberately attempted to conceal the true financial position of the bank. The method adopted by the board of directors to declare the profits by concealing the true financial position of the bank is unethical and reflects the poor quality of management. The conduct of the affairs of the bank by the board of directors reflects the poor quality of management, lack of professionalism, adoption of unethical practices and questionable methods and lack of commitment to the principles of co-operation as well as corporate governance. Further, the board of directors did not exhibit reasonable competence and conscious business judgment and they failed to attend the meeting with the RBI and also failed to submit the report of compliance. Taking into consideration the precarious financial position of the bank and ineffectiveness of the board of Directors of the 2nd respondent bank, in the interest of depositors and the 2nd respondent bank and as a emergency measure, the RBI in exercise of its powers under Section 1158 (iii) of the A.P. Co-operative Societies Act, 1964, issued a requisition dated 20 January 2004 to the Registrar of Co-operative Societies of Andhra Pradesh for supersession of the Board of Directors of the Co-operative Societies of Andhra Pradesh for supersession of the Board of Directors of the Co-operative bank and appointment of an Administrator. Copy of the said requisition is filed herewith and marked as ***Annexure-V.*** *In view of the above, it is submitted that the requisition made by the RBI is not in violation of principles of natural justice as alleged by the petitioner or otherwise. The order of supersession is issued in the interest of public to safeguard the interests of the depositors and that of the 2nd respondent bank and as an emergency measure to restore the financial health of the 2nd respondent bank as the Directors of the bank failed to take effective steps to improve its financial position. Allowing the board of directors to continue in their position in the bank would have further deteriorated the financial position of the bank and would have been detrimental to the interest of the depositors, the bank and that of the public. Further, it is submitted that Section 115 B (iii) of the A.P.Co-operative Societies Act, 1964, excludes the principles of Audit altrum partem by necessary implications. Issue of notice frustrates the very purpose of the supersession of the board under Section 115 B (iii) of the Act. If time is granted to the board to show-cause as to why it should not be superseded, it would be prejudicial to the interests of the depositors and public. It would enable the management to perpetuate the misdeeds and mismanagement committed by them leading to further deterioration in the financial position of the 2nd respondent bank at the cost of the interests of the depositors and that of the public. It is submitted that as per Section 115 B (iv) of the A.P. Co-op Societies Act, 1964, an order for supersession of the committee of management or other managing body (by whatever name called) of the bank and appointment of a special officer there for made on the requisition of the*

RBI is not liable to be called in question in any manner. The writ petition is, therefore, liable to be dismissed on this ground alone. ***III.*** *Further, it is submitted that after the Order of requisition dated 20th January 2004 issued by the RBI to the Registrar of Co-operative Societies, the 2nd respondent bank submitted its report of compliance as approved by its board of Directors to the RBI, vide its letter dated 20 January 2004 which was received by the RBI on 3 February 2004. It is submitted that the 2nd respondent bank invested large amount of funds (Rs.305.01 lakh) in Vasavi Co-operative Urban Bank in violation of the extant instructions of the RBI. (The RBI by its Circular, UBD.BR.43/16.20.00/2000-01 dated 10 April 2001 directed the urban co-operative banks not to invest its funds in other co-operative banks). Copy of the Circular of the RBI is filed herewith and marked as* ***Annexure- VI.*** *The Board of Directors of the 2nd respondent bank consisted of 12 elected members, including the Chairman. None of the Directors had any experience/expertise in banking/accountancy. As per the extant instructions of the RBI, every Co-operative bank must have at least two persons on its board who have got sufficient experience in the area of accounting/banking. The Board did not constitute an Audit Committee, the constitution of which is, at present, mandatory. The Board did not form an Investment Committee and had delegated the powers for taking investment decisions to the Chairman. The Board did not carry out any reviews of funds management and did not look into the aspect of opportunity costs of keeping large amount of non-earning non-CRR balances with private sector banks. The Directors went on recommending all loans, carried out valuations of properties mortgaged to the bank and received large amount of money towards "survey fees" from the borrowers. The details of such survey fees received by the Directors during the period covered by the inspection were as follows:*

Period	**Amount of Survey fees received in lakh of rupees.**
2001-2002	1.44
2002-2003	1.98
April-June 03	0.36

Some of the Directors who received large quantum of survey fees during the period covered by the present inspection were (i) Shri Satyanarayana Murty (Rs.0.54 lakh), (ii) Shri Gowri Sankar, Chairman (Rs.0.44 lakh), (iii) Shri P.Sanyasi Rao (Rs.0.43 lakh), (iv) Shri B.Prasada Rao (Rs.0.36 lakh). The Chairman of the bank was getting himself involved in the day-to-day affairs of the bank. The Board could

not ensure proper housekeeping in the bank, prompt submission of compliance to Reserve Bank's inspection reports and proper skill development and professionalism of the staff. The Board did not ensure induction of experts into it and the activation of the Audit Committee. The board of directors who are responsible to ensure high level of integrity in financial operations of the bank have failed miserably. The Board did not take any effective steps to monitor and curtail the expenditure incurred by the bank on motorcar maintenance, cell phone, DA and TA to the Directors etc. The performance of the Board was considered not satisfactory. The 2nd respondent bank and its board failed to submit proper explanation and compliance in its report of compliance dated 20 January 2004 to the serious defects and has failed to rectify the several defects. A copy of the letter dated 20th January 2004 is filed herewith and marked ***Annexure VII.*** *As the compliance report has been found not satisfactory, the RBI, vide its letter dated 10 February 2004 advised the 2nd respondent bank to submit further compliance. A copy of letter dated 10th February 2004 is filed herewith and marked as* ***Annexure VIII.*** *The 2nd respondent bank submitted further compliance on 25 March 2004 and 26 April 2004. In its report of compliance, the 2nd respondent bank admitted that it has failed to rectify the several defects and sought time till 30th June 2004 to rectify all the defects. Copies of the letters dated 25 March 2004 and 26 April 2004 of the 2nd respondent bank are filed herewith and marked as* ***Annexure-IX & X*** *respectively. However, the 2nd respondent bank has not submitted its report of further compliance*."

In substance, the Reserve Bank of India vigorously contends that the respondent No.2-bank was violating the basic tenets of rational banking practices. The Chairman and Directors of the Bank were found to be interfering with the day-to-day management of the Bank; none of them have any expertise either in banking or chartered accountancy, despite instructions and guidelines issued by respondent No. 3, that at least two of the members of the Board of Directors should have expertise in banking/chartered accountancy; the Directors of the Bank were clearly interfering in the credit dispensation functions of the Bank by recommending loan proposals. The Directors were found to be doctoring the balance sheet; that the Bank had declared a net-profit of Rs.18-73 lakhs for the year ending March 2003 despite having failed to make adequate provision for interest payable liabilities on term deposits, fundamental principles of accountancy applicable to banking institutions were eschewed and the balance sheet did not transparently disclose relevant and vital information.

Respondent No. 3 in the counter-affidavit further states that on the basis of the statutory inspection report and periodical inspection, it was rationally satisfied that the conduct of the affairs of the bank by the elected Board of Directors reflected poor quality of management, lack of professionalism and commitment to the principles of co-operation as well as corporate governance, and that the Board of Management though invested with the fiduciary responsibility to ensure high level of integrity, had abjectly failed to observe the obligations and had overstated the income and profits of non-performing assets as well as the interest liability. It had shown profits while incurring losses and no steps were taken despite repeated admonitions to rectify the defects in the functioning. Respondent No. 3 was satisfied that the elected management of respondent No.2-bank were functioning against the interests of the depositors. In the aforesaid circumstances and on the basis of its rational satisfaction, the respondent No.3 on an objective analysis of the available material had issued the requisition to the Registrar of Co-operative Societies of the State Government on 20-1-2004, directing supersession of the Board of Management of respondent No.2-bank.

In consequence of the Reserve Bank of India's directive the respondent No.1 (who is conferred the powers of Registrar of Co-operative Societies) issued the impugned order, superseding the elected management of respondentNo.2-bank.

Responding to the petitioner's contention that the principles of natural justice were violated and no notice was issued or opportunity afforded either to the petitioner or the other members (Directors) of the elected management, before the impugned order was issued, the third respondent contends that the power of the Registrar of Co-operative Societies of the State under Section 115-B of A.P. Co-operative Societies Act, 1964 is distinct and insulated from the general provisions under Section 34 of the Act. This is ensured by the *non-obstante* clause contained in Section 115-B of the Act, the provisions of which operate notwithstanding any other provisions of the A.P. Co-operative Societies Act, 1964. In the very context of the

power exercised by the Registrar of Co-operative Societies of the State and directions of the Reserve Bank of India, vide sub-section (iii) of Section 115-B of the AP Co-operative Societies Act, the principles of natural justice are excluded. According to the third respondent, the Registrar of Co-operative Societies is linearly obligated to direct supersession of the Management Committees or other managing bodies of Co-operative Banks (by whatever name called), when so required by the Reserve Bank of India. The satisfaction on the basis of which the supersession is to be ordered is not that of the Registrar of Co-operative Societies but of the Reserve Bank of India. Once the Reserve Bank of India is satisfied and issues a requisition or direction to the Registrar of Co-operative Societies, the Registrar of Co-operative Societies has no option, but to order supersession of Management Committee. The Registrar of Co-operative Societies has no discretion or power to consider the appropriateness of issuing an order of supersession by affording an opportunity before issuing the order of supersession of management, is the meat of the third respondent's contention.

In so far as the alternative contention of the petitioner that atleast the Reserve Bank is obligated to issue a notice or afford an opportunity to the elected Management Committee of the eligible Co-operative Bank before its supersession, respondent No.3 contends that the Reserve Bank of India is statutorily identified as the Principal regulator of banking business in the country and is vested with the powers of inspection, supervision, monitoring and advise, in relation to banking companies and co-operative banks, as defined in the various extant and relevant legislative instruments1, none of which either expressly or by any necessary or

compelling implication require affording of a prior opportunity before taking appropriate regulatory measures as regards the affairs of a Co-operative Bank. There is no obligation in law to afford an opportunity by the Reserve Bank of India before making an order directing the Registrar of Co-operative Societies of a State to issue an order of supersession of the Management Committee of an eligible Co-operative Bank. Alternatively, the third respondent contends that there was a continual intercourse between the Reserve Bank of India and the second respondent and a series of communications and directives were issued by respondent No.3 to respondent No.2-bank pointing out deviations and maladministration in its affairs, including the report of the statutory inspection referred to above. Respondent No.3 had addressed a letter dated 17-1-2003 to the Chief Executive Officer of respondent No.2-bank sensitizing him of the contents of the statutory inspection report conducted by respondent No.3 under Section 35 of the Banking Regulation Act, 1949 wherein the deviations and maladministration of respondent No.2-bank were chronicled elaborately and in detail.

All the above directions and correspondence by the Reserve Bank of India constitutes sufficient indicia, notice and opportunity to respondent No.2-bank, and to its elected Management Committee, is the contention of respondent No.3. No ritualistic formality of affording notice or opportunity, need be followed or perceived says the Reserve Bank of India.

In the context of the narrow factual matrix of this case, it is not necessary to dilate upon the provisions of the various enactments which confer power, authority

and jurisdiction on the respondent No.3 to monitor, regulate and supervise the banking operations of banking companies, including co-operative banks. Respondent No.3 is in common paralance referred to as the “bankers bank”. It is structurally equipped with a large contingent of expertise in matters relating to banking and the public economy of our Republic. Having regard to its status and responsibility, the several federal legislation and the absence of any allegations of factual malafides against respondent No.3, either urged or established in this writ petition, there is no warrant for this Court to judicially scrutinize the satisfaction arrived at by respondent No.3 in directing the Registrar of Co-operative Societies to supersede the elected Management Committee of respondent No.2-bank, for such directive has been issued in the interests of the depositors and the members of respondent No.2-bank. Such empirical and rational decision arrived at by an expert body like respondent No.3, is normally not susceptible to judicial review.

Respondent No. 3, was satisfied that supersession of the elected Management Committee was a compelling necessity in the interest of respondent No.2-bank and in public interest. Accordingly by a proceeding dated 20-01-2004, respondent No.3 after recording its satisfaction “that in public interest and for preventing the affairs of the Bank being conducted in a manner detrimental to the interest of the depositors and for securing the proper management of the bank, it is necessary to supersede the Board of Directors of the Vizianagaram Co-operative Urban Bank Limited, Vizianagaram (Andhra Pradesh)” directed the Registrar of Co-operative Societies of Andhra Pradesh, to issue an order for supersession of the

Board of Directors of respondent No.2-bank, and for appointment of an Administrator in lieu thereof. Consequent on this directive, respondent No.1-Registrar of Co-operative Societies, issued the impugned order.

A substantially similarly fact situation, fell for the consideration of a Division Bench of this Court in **Reserve Bank of India v. Hyderabad Co-operative Urban Bank Limitedand others.** Therein also the principal complaint was that the Registrar of Co-operative Societies of the State had issued a show cause notice on the elected Management Committee proposing super-session of the Board of Directions. The aggrieved Chairman of the Bank complained that the decision to supersede was arrived at without any deficiencies on the part of the members of the Board of Directors, having been pointed out, and calling upon them to explain why such steps should not be taken, and no notice having been issued by the Reserve Bank of India before taking a decision to supersede the Board of Directors, the ritualistic notice issued by the State Authorities, namely the Registrar of Co-operative Societies, did not constitute compliance of the essential principles of natural justice.

The Division Bench of this Court, found that there was a spate of correspondence between the Reserve Bank of India and the Bank intimating to the bank, the deficiencies found in the inspection and calling for their curing and rectification. There was no responsive conduct either on the part of the bank or its management. This series of correspondence between the Reserve Bank of India and the Co-operative Bank was adequate intimation and notice to the bank and its elected Management Committee of the impending and inevitable consequences of

persistent and recidivist mismanagement, was what the Division Bench of this Court held. The factual matrix of the present case being identical to the factual matrix in the above case before the Division Bench of this Court, the same principles and ratio laid down therein, are applicable.

On analysis of the above, in the considered view of this Court, the order of respondent No.1 dated 28-01-2004 is impeccable and suffers from no infirmity of substance or procedure warranting interference in this writ petition. The writ petition beseeches rejection and is accordingly dismissed. The interim order dated 25-02-2004 stands dissolved. In the circumstances of the case however there shall be no order as to costs.

23rd FEBRUARY, 2005. ----------

ISL + SKM GODA RAGHURAM , J**.**

-

To

1 The District Co-Operative Officer, Vizianagaram.
2 The Secretary, Vizianagaram Co-op.Urban Bank Ltd. Vizianagaram.

3 The Deputy General Manager,Reserve Bank of India,
Urban Banks Department, Hyderabad.
4 The Divisional Co-operative Officer-cum-Administrator/ Special Officer, Vizianagaram.
5 The Executive Director (Urban Banks), Reserve Bank of India, Central Office, Garment House, 1st Floor, Mumbai, Maharastra State.
6 The Commissioner for Cooperation and Registrar of Cooperative Societies, Andhra Pradesh, Hyderabad.

7. Two CCs to GP for Co-operation, High Court Buildings, High Court of AP Hyderabad (OUT)

8. Two CD copies.